

TO	U.S. DEPT. OF AGRICULTURE RURAL DEVELOPMENT RICHMOND, VIRGINIA	MANUAL	ISSUE NO.
		HB-1-3550	189
		DATE	
WSDC		1/19/06	
	PROCEDURE NOTICE	DISTRIBUTION CODE	
		"W" NATIONAL OFFICE	
		"S" STATE OFFICES	
		"D" AREA OFFICES	
		"C" LOCAL OFFICES	
		"P" EMPLOYMENT OFFICES	

MANUAL CHANGES

VA RD Instruction HB-1-3550-Chapter 9

Remove all pages of State Supplement #159 and replace with State Supplement #189.

This State Supplement updates State Supplement #159.

1. Requires that the loan approval official check the VA Department of Occupational and Professional (DPOR) website to ensure that the Dealer/Contactor applicant (herein called "applicant" and all subcontractors used by the applicant hold a valid VA contractor license.
2. Requires that the loan approval official check the DPOR website for any customer complaints against the applicant.
3. Requires that the loan approval official contact a minimum of 3 former customers to obtain references on the applicant.
4. Requires that the loan approval official use the above information in making an approval/disapproval recommendation to the State Director

SECTION 3: MANUFACTURED HOMES

Definition of a manufactured home- “a single family home dwelling built to the Federal Manufactured Housing Construction and Safety Standards (FMHCSS).” This is also known as the HUD Code of 1976. Under this HUD program, inspections of the homes and the construction and quality control process are done by inspection agencies approved and monitored by HUD. The red certification label (HUD label) is applied to each home which has passed the final inspection process. Modular or panelized units are not included under this definition.

9.17 DEALER CONTRACTOR REQUIREMENTS

No Single Family Direct or Guaranteed loans will be made on a manufactured home sold or serviced by any entity that is not an approved dealer-contractor (herein called “applicant”. The loan approval official will check the most recent version of the Virginia Approved Dealer/Contractor list. An entity may apply to become an approved dealer-contractor by submitting to the local office:

- *Form RD 1944-5, Manufactured Housing Dealer-Contractor Application.* The loan approval official should ensure that the form is completed in its entirety including the Rural Development section at the bottom of page 2.
- A current financial statement prepared by a public accountant and certified by the applicant.
- Submit a cashiers check or money order for the ordering of a commercial credit report on the firm and consumer credit reports on the principals of the firm. The applicant may submit a current copy of a consumer credit report they obtain; however it must be mailed or faxed directly from the credit bureau to the local Rural Development office. The request for both the commercial and individual credit reports should be requested from Betty Saunders, MFH. Please use the most recent version of the request form found in RD Instruction 1910-C. The fee is \$40.00 for the commercial and \$25.00 for the individual. Please include the following information in your fax: individual(s) names, address, social security number, percentage ownership in the business, and your return fax number. Please also note on the fax that this is a dealer contractor application.
- Document the operational file with direct checks with trade, bank, and Better Business Bureau references.
- Document the visit to the place of business in the operational file. The loan approval official should determine the business permanency and adequacy of available equipment.
- Obtain copies of brochures, descriptive literature, guarantees, sales contracts, and price lists.
- Document in the operational file that the applicant has the necessary equipment and experience to perform or subcontract all site development work. If the firm uses subcontractors, obtain the names of the subcontractors and their qualifications. A

field inspection of recently developed sites and set-ups is desirable in determining whether the dealer-contractor has the necessary experience.

- Check the Virginia Department of Professional and Occupational (DPOR) website (<http://www.dpor.state.va.us>) to ensure that the applicant and all subcontractors used by the applicant hold a valid VA contractors license. Additionally, check the DPOR website for any complaints filed by customers against the applicant. Any complaints against the applicant will be discussed with the applicant and noted in the file. This information will be used by the loan approval official in making a recommendation to the State Director for approval/disapproval.
- Contact a minimum of the applicant's 3 former customers for references. The running record will be noted with the results of the telephone call or visit to the property.
- A copy of the current business and contractors license. All manufacturers, dealers, and salespersons are required to be licensed through the Commonwealth Department of Housing and Community Development (DHCD) regardless of the state where the applicant is located.
- Carefully analyze the collected information to determine if the applicant is able to provide the full service of sales, service, erection, and warranty of manufactured units and developing sites for them.

The above, along with the Loan Approval Official's recommendations, should be forwarded to the State Director for review. The State Director will issue the letter of acceptance and a list of approved dealer-contractors for the state.

9.18 PROCESSING PROCEDURES

A. Submission Requirements

The following must be submitted in addition to the documents required for underwriting a stick built Section 502 loan:

- A plot plan and site development plan as described under RD Instruction 1924-A
- An itemized cost breakdown of the total package, including the base unit, eligible options, site development, installation, set up, lot costs, and any credit for wheels and axles.
- A statement signed by the dealer-contractor indicating that any cash payment or rebate as a result of the purchase will be deducted from the price of the unit and not paid to the applicants; and
- A statement signed by the dealer-contractor that the proposed cost is the full price of the unit and all development activities, and if furniture is being purchase by the applicant with other funds, that a lien will not be filed against the Agency's security property.

C. Loan Rates and Terms

The rate will be the current rate for Section 502 Direct Loan funds and the term will be 30 years. Loans to applicants for manufactured homes are eligible for payment assistance.

9.19 Construction and Site Requirements

The unit must meet the requirements for new dwellings contained in Section 2 of Chapter 5 of HB-1-3550. The construction and site development work must conform to Rural Development Regulations, the manufacturer's instructions, the applicable Uniform Statewide Building Code (USBC), and local ordinances. The management of construction must be completed in accordance with Chapter 5, Section 6, HB-1-3550. Inspections of construction can be made by either Rural Development personnel or authorized third party officials.

Self-Help and borrower method of construction is not allowed with manufactured housing.

- **Foundation Systems**-The manufactured home must be permanently attached to the foundation by an anchoring device adequate to resist all loads, shaking, potential shearing, overturning, and uplift loads caused by wind. Note that anchoring straps or cables affixed to ground anchors other than footing will not meet these requirements (1924-A, Exhibit J).
- **Permanent Perimeter Enclosure**-a permanent perimeter structural system completely enclosing the space between the floor joist of the manufactured home. If separate from the foundation system, the permanent perimeter enclosure shall be secured to the perimeter of the manufactured home, properly ventilated and accessible and constructed of materials that conform to the Rural Development adopted Minimum Property Standards (MPS) for foundations (1924-A, Exhibit J). Please note that the USBC requires that the shell be installed to enclosure the underside of the home within 60 days of occupancy of the home.

A. Approved Models

- Models no longer need to be approved by the State Office. New manufactured homes are built to the FMHCSS are provided with a Comfort Heating and Cooling Certificate. The Certificate is placed in a permanent manner near the main electrical panel or other readily accessible and visible location inside the unit. Units that have a U-Zone Value of 3 are acceptable for placement in Virginia (see RD AN 3508 for more details).

9.20 Loan Closing

A. Contract Requirements

The dealer-contractor must sign, *Form RD 1924-6, Construction Contract*, which will cover both the unit and site development work. Multiple contracts are prohibited, but a dealer-contractor may use subcontractors if the dealer-contractor remains solely responsible for all work under the contract. Payment for the manufactured unit cannot be made until the unit is permanently attached to the foundation.

C. Warranty Requirement

A dealer-contractor must provide the borrower with a warranty in accordance with the provisions of RD Instruction 1924-A. The dealer contractor must furnish the applicant with a copy of all manufacturer's warranties. The manufacturer's warranty covers the structure and factory installed plumbing, electrical, heating and cooling systems. The dealer-contractor warranty covers alterations or modification made by the dealer and transportation and set-up operations performed by the dealer or persons under contract by the dealer-contractor. The Code of Virginia requires a minimum 12 month warranty measured from the date of delivery of the home to the buyer. The date of delivery is the date on which all terms or conditions of the contract have been completed. Additionally, the code requires that any defect determined to be an imminent safety hazard to life and health shall be remedied within three days of receipt of written notice of the warranty claim. All other defects shall be remedied within 45 days of receipt of the written notice of the warranty claim. Homeowners should first file a warranty claim with the dealer and/or the manufacturer with a copy to Rural Development. Escalated warranty claims should be sent to with Rural Development following the procedures under RD Instruction 1924-J and/or through DHCD at Manufactured Housing Office, 501 North Second Street, Richmond, Virginia, 23219, telephone 804-371-7160, fax 804-371-7092.